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UNITED STATES DEPARTMENT OF AGRICULTURE

(AGRICULTURAL ECONOMICS)

SERVICE AND REGULATORY ANNOUNCEMENTS NO. 109

ITEMS RELATING TO THE ADMINISTRATION OF THE UNITED STATES COTTON FUTURES AND COTTON STANDARDS ACTS

CONTENTS

	Page		Page
Official cotton standards of the United States for Extra White cotton.....	1	Letters of general interest—Continued.	
Strict Middling Gray cotton recognized as tenderable on futures contracts.....	3	Amendment of February 26, 1927, to United States cotton futures act, effect of.....	10
Staple premiums.....	4	Futures contracts—intention of parties as to receipt or delivery of cotton.....	10
United States cotton futures act amended February 26, 1927.....	4	Copies of official cotton standards—there is no recognized difference between valid outstanding copies bearing various dates of certification.....	10
Board of cotton examiners committee stationed at Galveston and supervisor of inspection at Savannah.....	4	Copies of official cotton standards—department would not look with favor upon the use of a private type in the form of an obsolete copy of official standards.....	11
Snapped cotton—reviews of classification.....	5	Staple cotton—upland staple cotton classified as to grade against universal standards.....	11
London conference on staple standards, August 11, 1926.....	5	Private staple types—when not permissible.....	12
Universal standards conference of 1927.....	6	Act of March 3, 1927, authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple length of cotton.....	12
Linters types illustrating staples and characters of official standards to be distributed.....	7		
Standards established for color of American cotton linters.....	7		
Distribution of copies of the official cotton standards.....	8		
Letters of general interest:			
Reginned cotton, not being tenderable on futures contracts under section 5 of the United States cotton futures act, should not be submitted for certification.....	9		

OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR EXTRA WHITE COTTON

Official standards for Extra White cotton were promulgated by order of the Secretary of Agriculture dated March 3, 1926, to become effective August 1, 1927, under authority of the United States cotton standards act. On August 30, 1927, the same standards were promulgated effective September 1, 1928, under the cotton futures act. These orders are quoted in full:

PUBLIC NOTICE ESTABLISHING OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR EXTRA WHITE COTTON

(Under the cotton standards act)

Pursuant to the authority vested in the Secretary of Agriculture by the United States cotton standards act, approved March 4, 1923 (42 U. S. Stat. L., p. 1517), I, W. M. Jardine, Secretary of Agriculture, do hereby establish, promulgate, and give public notice of standards for cotton known as Extra White, effective August 1, 1927, as hereinafter set forth.

For the purposes of these standards:

No. 3 Extra White, or Good Middling Extra White, shall be cotton which in grade and color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in a container marked "Original official cotton standards of the United States, Extra White, No. 3 or Good Middling Extra White, effective August 1, 1927."

No. 4 Extra White, or Strict Middling Extra White, shall be cotton which in grade and color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in a container marked "Original official cotton standards of the United States, Extra White, No. 4 or Strict Middling Extra White, effective August 1, 1927."

No. 5 Extra White, or Middling Extra White, shall be cotton which in grade and color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in a container marked "Original official cotton standards of the United States, Extra White, No. 5 or Middling Extra White, effective August 1, 1927."

No. 6 Extra White, or Strict Low Middling Extra White, shall be cotton which in grade and color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in a container marked "Original official cotton standards of the United States, Extra White, No. 6 or Strict Low Middling Extra White, effective August 1, 1927."

No. 7 Extra White, or Low Middling Extra White, shall be cotton which in grade and color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in a container marked "Original official cotton standards of the United States, Extra White, No. 7 or Low Middling Extra White, effective August 1, 1927."

Until their effective date, August 1, 1927, the foregoing standards may be used as tentative or permissive standards in the purchase and sale of Extra White cotton.

In testimony whereof, I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 3d day of March, 1926.

[SEAL.]

W M Jardine

Secretary of Agriculture.

PUBLIC NOTICE PROMULGATING OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR EXTRA WHITE COTTON, UNDER THE UNITED STATES COTTON FUTURES ACT

Pursuant to the authority vested in the Secretary of Agriculture by the United States cotton futures act of August 11, 1916 (39 Stat. 476), as amended by the acts of March 4, 1919 (40 Stat. 1348, 1351), May 31, 1920 (41 Stat. 725), and February 26, 1927 (Public, No. 657, 69th Cong.), I, W. M. Jardine, Secretary of Agriculture, do hereby order that the official cotton standards of the United States for Extra White cotton, promulgated by order of March 3, 1926, effective August 1, 1927, under authority of the United States cotton standards act of March 4, 1923 (42 Stat. 1517), shall become and be effective on and after September 1, 1928, for the purposes of the said United States cotton futures act, as amended.

In testimony whereof, I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 30th day of August, 1927.

[SEAL.]

W M Jardine

Secretary of Agriculture.

On August 30, 1927, the Secretary of Agriculture likewise signed an order amending the regulations under the cotton futures act so as to recognize the Extra White standards as tenderable grades on section 5 contracts under that act, effective September 1, 1928.

Before the original promulgation of the Extra White standards under the cotton standards act the Bureau of Agricultural Economics had been requested from time to time by cotton growers and shippers who were located in the irrigated sections of the southwestern United States to make provision for the standardization of the cottons of that region. These requests arose from the fact that such cottons, being grown under conditions of relatively little rainfall and comparatively strong and continuous sunlight, possess a whiteness and brightness of color not generally observed in cottons of the older sections of the Cotton Belt. In color they were not readily classified against existing standards.

A fundamental principle in cotton standardization, which has been observed from the beginning, is that the basis of distinction should be the valuable physical properties of the product itself rather than the region of growth. The correctness of this principle is confirmed by numerous examples of injustice that have been observed by the bureau in the case of other products through discrimination on account of the place of their origin.

The bureau gave considerable thought to the problem presented in this case and came to the conclusion that the most practical way of meeting the situation was to add five boxes for Extra White cotton, one each for the grades Good Middling, Strict Middling, Middling, Strict Low Middling, and Low Middling. Between March 3, 1926, the date of their original promulgation under the cotton standards act, and August 1, 1927, their effective date under that act, they were used to a considerable extent as tentative or permissive standards in the purchase and sale of cotton of this description.

STRICT MIDDLING GRAY COTTON RECOGNIZED AS TENDERABLE ON FUTURES CONTRACTS

On July 31, 1926, the Secretary of Agriculture signed an order effective August 1, 1927, under which No. 4 Gray or Strict Middling Gray is recognized as a tenderable grade on section 5 contracts under the United States cotton futures act.

Several requests had been made that certain of the descriptive standards, which by regulation had been treated as untenderable, be henceforth recognized as tenderable on the ground of their apparent market value in comparison with Low Middling—the lowest of the white grades expressly made tenderable by law. The grades to which these requests applied specifically were Strict Middling Gray, Middling Gray, Strict Low Middling Spotted, and Strict Middling Light Yellow Stained.

It may be said by way of explanation that on March 4, 1919, the fifth subdivision of section 5 of the United States cotton futures act had been amended to read as follows:

Fifth. Provide that cotton that, because of the presence of extraneous matter of any character, or irregularities, or defects, is reduced in value below that of low middling, or cotton that is below the grade of low middling, or, if tinged, cotton that is below the grade of strict middling, or, if yellow stained cotton that is below the grade of good middling, the grades mentioned being of the official cotton standards of the United States, or cotton that is less than seven-eighths of an inch in length of staple, or cotton of perished staple or of immature staple, or cotton that is "gin cut" or reginned, or cotton that is "repacked" or "false packed" or "mixed packed" or "water packed" shall not be delivered on, under, or in settlement of such contract.

It is apparent from this, as well as from the report of the Committee on Agriculture of the House of Representatives on that amendment, that it was the intention of Congress to fix Low Middling White, Strict Middling Yellow Tinged, and Good Middling Yellow Stained as the lowest tenderable grades under the act and to exclude all grades of Blue Stained from delivery. Subsequent to the amendment of March 4, 1919, descriptive grades were established effective August 1, 1923, for Gray, Spotted, and Light Yellow Stained cotton, and the question at once arose as to how the statute should be interpreted with respect to their tenderability on section 5 contracts. As there was no record of quotations for any of the descriptive grades the question was considered from the standpoint of intrinsic value in consultation with a representative committee of growers, merchants, and manufacturers of cotton. This group expressed to the department its opinion that on the basis of the intrinsic value, Good Middling Gray, Middling Spotted, and Good Middling Light Yellow Stained were the lowest grades of these descriptive standards which could be regarded as not coming within the description "below the value of Low Middling." Accordingly the regulations of the Secretary under the act then recognized these as the lowest tenderable grades within the three groups.

It has been found that since August 1, 1923, only one of the descriptive grades thus excluded from tender, Strict Middling Gray, has always sold above Low Middling of the white standards. At various times Middling Gray, Strict Low Middling Spotted, and Strict Middling Light Yellow Stained have been below Low Middling in market value for longer or shorter periods.

With respect to Strict Middling Light Yellow Stained, it was felt in view of the provision in the law that "if Yellow Stained, cotton that is below the grade of Good Middling" shall not be delivered, there was reason to hold that any grade below Good Middling Light Yellow Stained must likewise be ex-

cluded by implication. At any rate there appeared to be enough of question to make the inclusion of Strict Middling Light Yellow Stained seem a hazard. Studies are under way which will aid in reaching a final decision as to the desirability of recognizing as tenderable, in addition to Strict Middling Gray, certain other of the descriptive grades now treated as untenderable, as heretofore explained.

STAPLE PREMIUMS

The rules of both the New Orleans Cotton Exchange and the Chicago Board of Trade now provide for certain allowances of premiums for cotton delivered on futures contracts which is longer than seven-eighths of an inch, the minimum length deliverable on such contracts. The rule of the New Orleans Cotton Exchange on this subject was revised on June 6, 1927, effective for all contracts maturing on and after May 1, 1928, to read as follows:

Section 1. Staple cotton may be delivered on contract and allowed a premium as hereinafter provided. No cotton, the staple of which measures less than fifteen-sixteenths inch shall be considered as staple cotton within the meaning of this rule.

Section 2. Cotton declared by the United States Board of Cotton Examiners as having a length of fifteen-sixteenths inch and one inch shall be delivered on contracts at 60 per cent of the average premium for like staples, as quoted on the day before the issuance of notice of delivery in such of the markets designated as bona fide spot markets by the United States Secretary of Agriculture, under the provisions of the United States Cotton Futures Act as shall have established an adequate system of quotations of fifteen-sixteenths and inch cotton. Any cotton having staple in excess of one inch may be delivered on contracts, but shall not receive a higher premium, under this rule, than that of inch cotton.

The Board of Trade of the City of Chicago incorporated the following in its rules by an amendment adopted on May 20, 1927:

STAPLE DIFFERENCES.—Cotton having $\frac{7}{8}$ -inch staple shall be contract cotton. Cotton having a staple of $\frac{1}{8}$ inch or one inch shall be deliverable at a premium equal to 60 per cent of the average premium paid for cotton of like grade and staple as quoted by the Houston and Galveston cotton exchanges on the day preceding the delivery of notice under Rule 548. Cotton having a staple in excess of one inch shall be deemed to have a one-inch staple under this rule. This rule, however, shall not apply unless 80 per cent of the cotton tendered on one contract shall be premium staple cotton.

This rule shall become effective for deliveries on contracts maturing in March, 1928.

Since the foregoing amendments a number of spot-cotton markets have made additional provision for official quotations on the lengths of staple, seven-eighths, fifteen-sixteenths, and 1 inch.

UNITED STATES COTTON FUTURES ACT AMENDED FEBRUARY 26, 1927¹

On February 26, 1927, an amendment to section 6 of the United States cotton futures act was approved. This amendment eliminated from that section of the law the provisions under which traders in futures contracts on the New Orleans Cotton Exchange had until that time been required to base their settlements for grades above and below middling delivered on futures contracts upon the commercial differences prevailing in that market alone. The amendment became effective upon its approval and henceforth the differences used in settlement of New Orleans futures contracts will be based upon the average commercial differences of 10 designated spot-cotton markets, as is the case in the other cotton-futures markets of the United States.

BOARD OF COTTON EXAMINERS COMMITTEE STATIONED AT GALVESTON AND SUPERVISOR OF INSPECTION AT SAVANNAH

In the fall of 1926 the Division of Cotton Marketing established an additional office at Galveston, Tex., and detailed a committee of the Houston board of cotton examiners to that point to provide additional facilities for service to the trade of the Southwest, and particularly to provide further facilities for the certification of cotton intended for delivery on the futures contracts of the board of trade of the city of Chicago and later that which may be intended for delivery on the new contracts of the New Orleans Cotton Exchange.

A supervisor of inspection under the United States cotton standards act has been stationed at Savannah.

¹ For text of cotton futures act with all amendments, see Service and Regulatory Announcements (Agricultural Economics) No. 105. 34111111 1003 70191 90512 7111

SNAPPED COTTON—REVIEWS OF CLASSIFICATION

On February 20, 1926, instructions were issued to the chairmen of the boards of cotton examiners in the field requiring that reviews of the classification of cotton believed by them to have been snapped be referred to the Appeal Board of Review Examiners in Washington. The volume of snapped cotton had greatly increased and this presented a problem of particular importance because of the fact that snapped cotton may be found in some instances to vary in quality from that which is fully mature and equal in all respects to mature picked cotton to the point where the presence of extraneous matter, irregularities, or defects, may make it obviously inferior in quality and value to mature picked cotton.

The department's boards of cotton examiners have always dealt with snapped cotton on its merits, and have passed it as tenderable on futures contracts or rejected it as untenderable in strict conformity with the limits of tenderability prescribed in the cotton futures act and the regulations of the Secretary of Agriculture. The particular difficulty of dealing with cotton of this description, accentuated by the great increase in the number of bales of such cotton submitted for certification, made it necessary at the time to make provision for more than ordinary scrutiny.

Assurances were given at the time the foregoing instructions were issued that if and when they could be modified consistently with the bureau's duties and obligations under the law, such a modification would be made.

Accordingly on September 7, 1927, letters were addressed to the boards of cotton examiners in the field instructing them to resume the practice of handling reviews of the classification of all cotton except in cases where certificate holders themselves designate the Appeal Board of Review Examiners in Washington as the board to which they wish their reviews referred, or when for good cause it may be deemed advisable for the bureau to designate the review board. It was believed that existing conditions justified again vesting this duty, in so far as routine reviews are concerned, in the local boards but it was announced that the order of February 20, 1926, might be reinstated on telegraphic notice to the local boards, or other appropriate action might be taken should it appear at any time that extraordinary precautions are still required in dealing with cotton of this description.

LONDON CONFERENCE ON STAPLE STANDARDS, AUGUST 11, 1926

The universal standards agreements between the United States Department of Agriculture and the leading cotton exchanges and associations of Europe deal only with the universal standards for grade and color of upland cotton. These agreements did not cover standards for length of staple. The official cotton standards of the United States for length of staple, first promulgated under the United States cotton futures act, are in use in the United States, and the need for universal standards for staple to supplement the existing universal standards for grade and color has been voiced from time to time by a number of the organizations of the cotton trade. The biennial congress of the International Federation of Master Cotton Spinners, and Manufacturers Associations at its meeting in Vienna in 1925, adopted the following:

This Congress expresses the opinion that there should be a uniform denomination of staple lengths throughout the world, and urges cotton exchanges in Europe, the U. S. A., and the Department of Agriculture, to come to an agreement on this question.

The Atlantic Cotton Association meeting at Charleston, S. C., in May, 1926, adopted the following resolution:

Whereas, the committee on foreign arbitrations and appeals of the American Cotton Shippers' Association, in their report submitted at the second annual meeting of that association (included) the following clause: "We strongly favor the principle of universal standards for staple length," and whereas the report of the above-mentioned committee was adopted in principle in this annual meeting and referred to the Board of Directors of the American Cotton Shippers' Association, with full discretionary powers, now, therefore, be it resolved that this association recommends to the Directors of the American Cotton Shippers' Association that they use their best efforts to bring about Universal Standards for staple lengths at the earliest possible date.

Prior to its annual meeting in Atlanta, Ga., in April, 1926, the American Cotton Shippers' Association informed the United States Department of Agriculture that it desired to consider the question of universal staple standards, and invited the department to send a representative to its meeting to discuss the

subject. In the course of the meeting the association adopted a resolution including the following statement: "We strongly favor the principle of the Universal Staple Standards." A subsequent resolution gave the board of directors of the association authority to consider ways and means for the application of the principle.

In June, 1926, the Secretary of Agriculture invited the directors of the American Cotton Shippers' Association to Washington to present their views as to staple standards. A number of representatives of the cotton trade were also present at the invitation of the shippers' association. After a thorough discussion of the subject, both with representatives of the Department of Agriculture and among themselves, the directors and the other trade representatives present expressed themselves as in favor of universal standards for length of staple, and accompanied this expression by the suggestion that the department take appropriate steps looking to the adoption of such standards.

The general attitude of the agricultural interests of this country on the subject of grades and standards was indicated by the President's agricultural conference of January, 1925, in the following:

The establishment of grades and standards for various agricultural products of the country is essential. In many lines such standards are already established by State or Federal law, and such standards should receive recognition in all trade dealings, both domestic and foreign and should be made the basis of settlement of all disputes.

This view with special reference to cotton was expressed in the report of a meeting of the Cotton Production Council of the Southern Agricultural Workers, at Memphis, Tenn., in May, 1926, as follows:

The Universal Standards now in use were endorsed and the conference further urged that Universal Standards for staple be formulated and adopted as soon as possible.

In recognition of this widespread sentiment in favor of the adoption of universal standards for staple length for cotton, the Secretary of Agriculture invited the European cotton exchanges to send representatives to a conference in London on August 11, 1926. At this conference, Lloyd S. Tenny, representing the Secretary of Agriculture, reviewed the circumstances attending the adoption of the universal standards for grade and color, called attention to the position taken by the spinners of Europe and the cotton growers and shippers of America, analyzed the question from the standpoint of principle and practicability, and invited open discussion.

A basis of agreement was not found, among those present, on the question of universal staple standards. The attitude of the representatives of the majority of the European exchanges at that time left the situation as it was before the conference. The United States Department of Agriculture continues ready and willing to be of any possible service to the trade in dealing with the question.

The official cotton standards of the United States for length of staple continue to be the required basis for transactions in American cotton sold in interstate and foreign commerce on standard description.

UNIVERSAL STANDARDS CONFERENCE OF 1927

The regular biennial universal standards conference provided for in the agreements between the United States Department of Agriculture and the nine leading cotton exchanges and associations of Europe was held in Washington during the week of March 14, 1927.

These regular biennial meetings are held for the purpose of approving copies of the universal standards for American cotton for use by the department and by the European organizations during the two-year period beginning August 1 next following each such meeting. At this last meeting 60 full sets of copies of the universal standards—a total of 1,200 boxes—were approved.

Representatives from the European associations were present at the universal standards conference of 1927, as follows:

Barcelona.—Centro Algodonero de Barcelona: Jose M. Esteve and Pedro Marques.

Bremen.—Bremer Baumwollborse: George Albrecht Furst, Heinrich Westerschulte, Direktor Emil Schier, and Ludwig Kumpers.

Ghent.—Marché de Coton à Gand: Robert Pflieger and Harold Veesaert.

Havre.—Syndicat du Commerce des Cotons au Havre: Pierre du Pasquier and Jacques Roederer.

Liverpool.—Liverpool Cotton Association (Ltd.): C. S. Hannay and A. C. Nickson.

Manchester.—Federation of Master Cotton Spinners Associations (Ltd.) of England: Joseph Wild. Manchester Cotton Association (Ltd.): J. B. Kershaw, Arthur Morris, and H. Robinson.

Milan.—Associazione Cotoniera Italiana. (Now the Associazione Italiana Fascista Degli Industriali Cotonieri): Aldo Scaravaglio and Rodolfo Kronauer

Rotterdam.—Vereeniging voor den Katoenhandel te Rotterdam: G. H. Hoyer and I. J. Kalmon.

Representatives from the American cotton trade were:

American Cotton Growers Exchange, Memphis, Tenn.—C. B. Howard, Atlanta, Ga.; D. D. Williams, Raleigh, N. C.; and T. M. Edwards, Dallas, Tex.

American Cotton Shippers' Association, Memphis, Tenn.—R. C. Dickerson, Memphis, Tenn.

Arkansas Cotton Trade Association, Little Rock, Ark.—S. Y. West, Little Rock, Ark.

Arkwright Club, Boston, Mass.—John H. Holt, treasurer, Luther Manufacturing Co., Fall River, Mass.

Atlantic Cotton Association, Atlanta, Ga.—Adolph Weil, Montgomery, Ala.

Board of Trade of the City of Chicago, Chicago, Ill.—W. R. Meadows, Chicago, Ill.

Cotton-Textile Institute, New York, N. Y.—George A. Sloan, New York, and F. R. McGowan.

New England Cotton Buyers Association, Boston, Mass.—J. J. Tripp, Boston, Mass.

New Orleans Cotton Exchange, New Orleans, La.—A. M. West, jr., New Orleans, La.

New York Cotton Exchange.—Samuel T. Hubbard, jr., New York, N. Y., and William S. Dowdell, New York, N. Y.

Oklahoma State Cotton Exchange, Oklahoma City, Okla.—W. D. Maxwell, Oklahoma City, Okla., and J. M. Locke, Muskogee, Okla.

Southern Shippers Association, Memphis, Tenn.—D. W. Brooks, Memphis, Tenn.

Texas Cotton Association, Waco, Tex.—R. L. Dixon, Dallas, Tex.

LINTERS TYPES ILLUSTRATING STAPLES AND CHARACTERS OF OFFICIAL STANDARDS TO BE DISTRIBUTED

On September 2, 1927, the regulations of the Secretary of Agriculture under the United States cotton standards act were amended to authorize the distribution to each purchaser of practical forms of grades Nos. 2 to 5, inclusive, of the official standards of the United States for American cotton linters, of three types illustrating the staples and characters of linters as embraced in each of these first five grades.

To the extent that facilities permit, the Bureau of Agricultural Economics is also authorized under this amendment to furnish additional types of this description to any such purchaser of copies of the official standards at the rate of \$1 each (\$3 for each grade), f. o. b. Washington, D. C., for shipment within the continental United States and \$1.25 each (\$3.75 for each grade), delivered to destination, for shipments outside the continental United States.

It is anticipated that these types will serve a most useful purpose by illustrating and explaining to the industry interested in linters the factors embraced in the official standards.

STANDARDS ESTABLISHED FOR COLOR OF AMERICAN COTTON LINTERS

In the public notice of July 7, 1925, signed by the Acting Secretary of Agriculture, establishing standard grades for American cotton linters, three of the four principal factors of value in American cotton linters were standardized—that is, characters, staples or blends of fiber, and foreign matter.²

At a conference held in Memphis, Tenn., on October 6, 1927, representatives of the linters industry requested that the Department of Agriculture establish standards for the remaining factor of value, color, and that the normal color of

² See Service and Regulatory Announcements (Bureau of Agricultural Economics) No. 94.

linters, as carried in the samples used in constructing the original standard grades, be established as such standards for color of linters.

On October 31, 1927, the Secretary of Agriculture signed and issued the following public notice:

PUBLIC NOTICE ESTABLISHING STANDARDS FOR COLOR FOR AMERICAN COTTON LINTERS

Pursuant to the authority conferred upon me by section 6 of the United States cotton standards act approved March 4, 1923 (42 Stat. L., p. 1517), I, W. M. Jardine, Secretary of Agriculture, do hereby establish, promulgate, and give public notice of standard colors for American cotton linters, to become effective one year after the date hereof, as hereinafter set forth.

Section 1, color 1.—Color 1 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 1 of the original official standard of the United States for American cotton linters as established by the order signed by the Acting Secretary of Agriculture dated July 7, 1925, effective August 1, 1926.

Section 2, color 2.—Color 2 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 2 of said official standards of the United States for American cotton linters.

Section 3, color 3.—Color 3 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 3 of said official standards of the United States for American cotton linters.

Section 4, color 4.—Color 4 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 4 of said official standards of the United States for American cotton linters.

Section 5, color 5.—Color 5 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 5 of said official standards of the United States for American cotton linters.

Section 6, color 6.—Color 6 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 6 of said official standards of the United States for American cotton linters.

Section 7, color 7.—Color 7 shall be the normal color of linters, for each sectional character, as embraced in the colors of the samples composing grade 7 of said official standards of the United States for American cotton linters.

Until their effective date, the foregoing standards may be used as tentative or permissive standards for color of American cotton linters.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 31st day of October, 1927.

[SEAL.]

W M Jardine
Secretary of Agriculture.

DISTRIBUTION OF COPIES OF THE OFFICIAL COTTON STANDARDS

Practical forms, or copies, of the following official cotton standards now in effect may be purchased from the United States Department of Agriculture:

1. Official cotton standards of the United States for grades and colors of American upland cotton, known as the universal standards for American cotton.
2. Official cotton standards of the United States for grades and colors of extra white cotton.
3. Official cotton standards of the United States for grades and colors of American Egyptian cotton.
4. Official cotton standards of the United States for length of staple.
5. (a) Official standard grades for American cotton linters.
(b) Expositor types illustrating the staples and characters of linters embraced in each of grades Nos. 1 to 5, inclusive, of the official standards for linters.

Copies of all of the official standards for grades and colors of cotton are sold at the rate of \$5 each, f. o. b. Washington, for shipment within the continental United States, and at \$6.25 each, f. o. b. destination, for shipment outside the continental United States. These charges apply also to copies of the standard grades for American cotton linters.

Copies of the official standards for length of staple are sold at \$1 each, f. o. b. Washington, for shipment within the continental United States, and at \$1.25 each, f. o. b. destination, for shipment to points outside the continental United States.

As explained in the item on page 7, a set of three expositor types illustrating the staples and characters of linters is supplied gratis to each purchaser of copies of the grades Nos. 1 to 5, inclusive. Additional expositor types may be furnished to such purchasers at the rate of \$1 each (\$3 for each grade), f. o. b. Washington, for shipment within the continental United States, and \$1.25 each (\$3.75 for each grade) delivered to destination for shipment outside the continental United States.

Applications for copies of any of the official standards must be made on forms furnished for the purpose by the Bureau of Agricultural Economics and must be accompanied by a check, draft, or money order payable to the disbursing clerk, United States Department of Agriculture, for the full amount of the order. Blank application forms may be obtained from the Bureau of Agricultural Economics at Washington or from any of the following branch offices:

New York City, 1501 Cotton Exchange Building.
 New Orleans, La., 701 Cotton Exchange Building.
 Houston, Tex., 403 Westheimer Building.
 Galveston, Tex., 325 Twenty-second Street.
 Atlanta, Ga., 905 Commercial Exchange Building.
 Memphis, Tenn., 506 Cotton Exchange Building.
 Charlotte, N. C., 1105 Johnston Building.
 London, England, United States Agricultural Commissioner, American Embassy.
 Berlin, Germany, United States Agricultural Commissioner, American Embassy.

All applications and remittances should be sent to the Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C., where they will be placed on file and filled in the order of their receipt.

LETTERS OF GENERAL INTEREST

REGINNED COTTON, NOT BEING TENDERABLE ON FUTURES CONTRACTS UNDER SECTION 5 OF THE UNITED STATES COTTON FUTURES ACT, SHOULD NOT BE SUBMITTED FOR CERTIFICATION

Mr. _____,
Pres., _____ Cotton Exchange.

DEAR MR. _____: You will recall that under the fifth subdivision of section 5 of the cotton futures act certain of the lower grades of cotton are excluded from delivery on futures contracts and that likewise cotton that is less than seven-eighths inch in length of staple or cotton of perished staple, or of immature staple or cotton that is "gin cut," or reginned, or cotton that is "repacked" or "false packed" or "mixed packed" or "water packed," shall not be delivered on, under or in settlement of any such contract.

From time to time certain cotton of the foregoing descriptions, particularly "regins," has been offered to our boards of cotton examiners for certification, regardless of the fact that such cotton is barred from delivery by the express terms of the act.

Regulation 6 defines reginned cotton as cotton that has passed through the ginning process more than once, and cotton that, after having been ginned, has been subjected to a cleaning process and then baled.

May I solicit your cooperation in again directing the attention of your members to these provisions of the statute and regulations and particularly to the fact that, regardless of its grade or staple, reginned cotton is not deliverable on future contracts.

Oftentimes it is not possible for an experienced classer to detect some of the defects in question, and in spite of precautions, a few bales of reginned cotton recently submitted for classification in one of the futures markets were certificated as tenderable. Later on, evidence came to us that the bales in question were reginned and it was necessary to recall and cancel the certificates, with consequent loss and annoyance to the interested parties. It is our hope that the _____ Cotton Exchange will do everything possible to prevent the submission of any such cotton for certification under the cotton futures act in the future.

Very truly yours,

LLOYD S. TENNY,
Chief of Bureau of Agricultural Economics.

**AMENDMENT OF FEBRUARY 26, 1927, TO UNITED STATES COTTON FUTURES ACT,
EFFECT OF**

TELEGRAM

Ransdell Bill³ was signed by the President on Saturday, February 26. Since no specific effective date fixed therein bill became law upon signature by the President. Were this department called upon to act administratively in the matter it would hold that since cotton futures act is made by reference a part of every section 5 contract an amendment of the act constitutes a modification of all existing contracts and that all deliveries made on section 5 contracts after February 26, 1927, should be settled for on average differences of 10 designated markets as quoted on sixth business day preceding date of delivery.

LLOYD S. TENNY,

Chief of Bureau of Agricultural Economics.

**FUTURES CONTRACTS—INTENTION OF PARTIES AS TO RECEIPT OR DELIVERY OF
COTTON**

TELEGRAPHIC INQUIRY

Please advise if parties' intention not to receive or deliver commodity contracted for under cotton futures act is violation thereof and if any penalty is named. Please wire * * *.

REPLY

Yours. Cotton futures act prescribes tax of 2 cents per pound on future contracts but exempts from tax contracts complying with conditions specified in sections 5, 6a, and 10. Contracts commonly entered into on recognized futures exchanges are section 5 contracts and incorporate such conditions and are therefore tax exempt. Section 5 contracts embody definite legal obligations which must be met by actual delivery and receipt of cotton with this qualification that any party holding on one hand contracts of purchase and on the other hand contracts of sale for delivery in the same month and on the same exchange may offset contract for contract according to the rules of the futures exchange on which made in which case only net balance is settled by actual delivery. Under United States cotton futures act the fact that a party may intend before maturity of contract to close it out by a contra transaction does not make him criminally liable or affect his civil liability which continues so long as open futures contracts are outstanding in his name. However, compliance with cotton futures act does not exempt anyone from prosecution for violation of State laws relating to cotton futures. See section 17 of statute.

PALMER,

In Charge, Division of Cotton Marketing.

**COPIES OF OFFICIAL COTTON STANDARDS—THERE IS NO RECOGNIZED DIFFERENCE BETWEEN VALID OUTSTANDING COPIES BEARING VARIOUS DATES OF
CERTIFICATION**

DEAR SIR: I have your letter of September 15, in which you make the following inquiry:

"* * * if it is proper or in accordance with law to sell cotton at the present time based on the 1926 standards for grade. For instance, a customer of ours wished to buy cotton equal to the Middling and Strict Middling standards that were in force before the new boxes (of which we have specimens) came into effect. We are rather of the opinion that all transactions for grade must now be based on the new standards, but we would like your opinion in the matter."

The original universal standards for grade and color of American upland cotton have not been changed since their effective date, August 1, 1924, and all copies distributed to the trade since that time are prepared to represent the originals as and when they were officially established. There is therefore no recognized difference between unexpired copies issued in 1926 which have not been allowed to deteriorate and those issued during the present season.

³ The amendment of Feb. 26, 1927, to the United States cotton futures act — see page 27, S. R. A.—B. A. E. 105.

You will doubtless recall that one of the conditions under which copies of the official cotton standards are sold is that no such copy shall be considered or used as representing the official standards after the expiration of 18 months following the date of its certification by the Secretary of Agriculture. Copies of the standards and the photographs accompanying them are subject to examination by officers of this department on any business day and the signature of the secretary certifying thereto or any such photograph, or both, may be canceled if it be found upon such inspection that any such copy for any reason misrepresents the official standards.

Should you at any time have reason to believe that any outstanding unexpired copies do not correctly represent the standards, we should appreciate information to that effect so that such copies may be examined by an official of this division.

Very truly yours,

ARTHUR W. PALMER,
In Charge, Division of Cotton Marketing.

COPIES OF OFFICIAL COTTON STANDARDS—DEPARTMENT WOULD NOT LOOK WITH FAVOR UPON THE USE OF A PRIVATE TYPE IN THE FORM OF AN OBSOLETE COPY OF OFFICIAL STANDARDS

DEAR MR. ———: Replying to your last paragraph, one of the conditions on which copies of the official cotton standards are sold is that no such copy shall be considered or used as representing the official standards after the expiration of 18 months following the date of its certification by the Secretary of Agriculture. Any outstanding copies of the official standards which have not expired under the terms of the Secretary's regulations and which have been properly protected against deterioration may properly be used. The question you present here, however, involves some difficulty. I do not believe the department would look with favor on the use of a so-called type in the form of an obsolete copy of the official standards. The possibility of misunderstanding is, I believe, apparent and there is perhaps some doubt as to the legality of such a practice in view of the language of section 8 of the cotton standards act:

"That it shall be unlawful for any person * * * without the written authority of the Secretary of Agriculture to make, alter, tamper with, or in any respect change any practical form or copy of any standard established under this act, or to display or use any such practical form or copy after the Secretary of Agriculture shall have caused it to be condemned."

Very truly yours,

ARTHUR W. PALMER,
In Charge, Division of Cotton Marketing.

STAPLE COTTON—UPLAND STAPLE COTTON CLASSIFIED AS TO GRADE AGAINST UNIVERSAL STANDARDS

DEAR MR. ———: The universal standards for grade and color are intended to apply to all upland cotton. As used by the department, upland cotton includes all varieties of the botanical grouping *Gossypium hirsutum*; that is to say, all the growth of the United States except Sea-Islands and American Egyptians, which fall in the group *Gossypium barbadense* and for which separate standards have been established. This grouping is explained in Yearbook Separate No. 877, beginning on page 327, a copy of which is inclosed.

To answer your question specifically, staple cottons other than Egyptians and Sea-Islands sold on the standards should be graded against the boxes.

It has to be recognized, of course, that staple cotton ordinarily shows a little more stringiness in preparation than shorter lengths so that an exact match is often not possible in this regard and the classer has to use a certain amount of judgment not to penalize staple cotton unjustly because of this inherent condition. So far as leaf and color are concerned, however, there is nothing in the standards or in the orders promulgating them which will allow staple cotton of any given grade to be lower than short staple cotton. * * *

Yours very truly,

ARTHUR W. PALMER,
In Charge, Division of Cotton Marketing.

PRIVATE STAPLE TYPES—WHEN NOT PERMISSIBLE

DEAR MR. ———: In accordance with your request of May 28, I have given careful consideration to the question whether the ——— Cotton Exchange may legally adopt and put into effect proposed "staple types" of cotton, as outlined in the letter of May 6 from the president of the exchange to your bureau.

The exchange plans to make up 12 boxes of cotton of varying lengths from $\frac{7}{8}$ to $1\frac{1}{4}$ inches, each to be given a name of four letters, as, for instance, "Earl $1\frac{1}{8}$ inches." These so-called staple types will be representative of both character and length of cotton. Some of them will cover a range of length, as, for example, $1\frac{1}{8}$ to $1\frac{3}{8}$ inches. They will be representatives of cotton of the ——— district only and are not intended for use generally, but in that district only, although it is possible that they may be used in a limited way elsewhere.

The United States cotton standards act prohibits the indication of a grade or class which is of or within the official standards by any name, description, or designation, or system of names, descriptions, or designations not used in the official standards, but authorizes in the following language transactions by actual sample or on the basis of a private type used in good faith and not for the purpose of evading the requirements of the act:

"Provided, That nothing herein shall prevent a transaction otherwise lawful by actual sample or on the basis of a private type which is used in good faith and not in evasion of or substitution for said standards."

It will be noted that in the language of the proviso the authorization is to deal on the basis of a "private type." The exchange, as I understand it, wishes to prepare these types for general use in the ——— district and to some extent elsewhere. Therefore, they would not be private types and their use would accordingly be contrary to the express provisions of the act. A similar question arose in the administration of the United States grain standards act. The chamber of commerce of ———, ———, prepared what were termed the ——— Chamber of Commerce type samples for general use by its members in their foreign transactions in grain. When the matter was submitted to the department for consideration the view was taken that these were not types within the meaning of the grain standards act and that their use was therefore unlawful. They have accordingly been discontinued. So here it is not a case of a type representing the cotton of a particular producer or shipper, the use of which is authorized by the act, but, on the contrary, it is really a set of standards prepared for general use by the trade or at least by a certain group of the trade. The use of the types would therefore be contrary to the United States cotton standards act.

I am returning Mr. ———'s letter.

Very truly yours,

R. W. WILLIAMS,
Solicitor.

Inclosure.

[Public No. 740, Sixty-ninth Congress]

[S. 4746]

An Act Authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple length of cotton

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture be, and he is hereby, authorized and directed to collect and publish annually, on dates to be announced by him, statistics or estimates concerning the grades and staple length of stocks of cotton, known as the carry-over, on hand on the 1st of August of each year in warehouses and other establishments of every character in the continental United States; and following such publication each year, to publish, at intervals in his discretion, his estimate of the grades and staple length of cotton of the then current crop: *Provided*, That not less than three such estimates shall be published with respect to each crop. In any such statistics or estimates published, the cotton which on the date for which such statistics are published may be recognized as tenderable on contracts of sale of cotton for future delivery under the United States Cotton Futures Act of August 11, 1916, as amended, shall be stated separately from that which may be untenderable under said Act as amended.

SEC. 2. That the information furnished by any individual establishment under the provisions of this Act shall be considered as strictly confidential and shall be used only for the statistical purpose for which it is supplied. Any employee of the Department of Agriculture who, without the written authority of the Secretary of Agriculture, shall publish or communicate any information given into his possession by reason of his employment under the provisions of this Act shall be guilty of a misdemeanor and shall, upon conviction thereof, be fined not less than \$300 or more than \$1,000, or imprisoned for a period of not exceeding one year, or both so fined and imprisoned, at the discretion of the court.

SEC. 3. That it shall be the duty of every owner, president, treasurer, secretary, director, or other officer or agent of any cotton warehouse, cotton ginnery, cotton mill, or other place or establishment where cotton is stored, whether conducted as a corporation, firm, limited partnership, or individual, and of any owner or holder of any cotton and of the agents and representatives of any such owner or holder, when requested by the Secretary of Agriculture or by any special agent or other employee of the Department of Agriculture acting under the instructions of said Secretary to furnish completely and correctly, to the best of his knowledge, all of the information concerning the grades and staple length of cotton on hand, and when requested to permit such agent or employee of the Department of Agriculture to examine and classify samples of all such cotton on hand. The request of the Secretary of Agriculture for such information may be made in writing or by a visiting representative, and if made in writing shall be forwarded by registered mail, and the registry receipt of the Post Office Department shall be accepted as evidence of such demand. Any owner, president, treasurer, secretary, director, or other officer or agent of any cotton warehouse, cotton ginnery, cotton mill, or other place or establishment where cotton is stored, or any owner or holder of any cotton or the agent or representative of any such owner or holder, who, under the conditions hereinbefore stated, shall refuse or willfully neglect to furnish any information herein provided for or shall willfully give answers that are false or shall refuse to allow agents or employees of the Department of Agriculture to examine or classify any cotton in store in any such establishment, or in the hands of any owner or holder or of the agent or representative of any such owner or holder, shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than \$300 or more than \$1,000.

SEC. 4. The Secretary of Agriculture may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person; and shall have the power to appoint, remove, and fix the compensation of such officers and employees, not in conflict with existing law, and make such expenditures for the purchase of samples of cotton, for rent outside the District of Columbia, printing, telegrams, telephones, books of reference, periodicals, furniture, stationery, office equipment, travel, and other supplies and expenses as shall be necessary to the administration of this Act in the District of Columbia and elsewhere, and there are hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, such sums as may be necessary for such purposes.

SEC. 5. That, of the reports issued by the Secretary of Agriculture, pursuant to the Act entitled "An Act authorizing the Department of Agriculture to issue semimonthly cotton crop reports, and providing for their publication simultaneously with the ginning reports of the Department of Commerce," approved May 3, 1924, only five shall be issued hereafter, one as of August 1, one as of September 1, one as of October 1, one as of November 1, and one as of December 1, each of which shall state the condition and progress of the crop and the probable number of bales which will be ginned, these reports to be issued simultaneously with the cotton ginning reports of the Bureau of the Census relating to the same dates, the two reports to be issued from the same place at eleven antemeridian of the eighth day following that to which the respective reports relate. When such date of release falls on Sunday or a legal holiday the report shall be issued at eleven o'clock antemeridian of the next succeeding workday.

SEC. 6. The Secretary of Agriculture shall cause to be issued a report on or before the 10th day of July of each year showing by States and in toto the number of acres of cotton in cultivation on July 1, to be followed on September 1 and December 1 with an estimate of the acreage of cotton abandoned since July 1.

Approved, March 3, 1927.

